

University of Mostar
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ECONOMIC GLOBALIZATION

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Globalization

- Globalization is one of the most contested topics.
- **Definition**
 - An economic phenomenon?
 - A social phenomenon?
 - A cultural phenomenon?
 - A political phenomenon?
 - ...
- There is probably no other widely (ab)used term as globalization and probably no other issue which generates as much “heat” and controversy.

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- **Globalization** has many definitions, but generally it refers to various *global interconnections*.
- The interconnections exist across a variety of human activities: economic, social, political, cultural, environmental ...
- Multidimensional phenomenon and comprehensive process, but mainly seen as an *economic globalization*.

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- **Globalization** has many inherent contradictions, including:
 - it integrates and disintegrates (fragmegration);
 - it fosters cooperation and conflict;
 - it engenders order and disorder (chaord);
 - it is divisive and unifying.
- Some view it as a *net positive*, others as a *net negative*.

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- **Globalization** erodes the *nation-state* and undermines traditional forms of *national sovereignty*.
 - National states are less able to control social and economic events within their territory.
- Global/regional decision- and policy-making bodies and organizations (UN, EU, WTO, etc.) are rising in importance but...they are not yet fully democratic/accountable.

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Information and Communication Technology (ICT) and Globalization

- Increases access to information, but ... access is unevenly distributed.
- *Digital divide* refers to the gap between those who can effectively use new information and communication tools, such as the Internet, and those who cannot.

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Cultural Globalization

- Increases exposure to foreign ideas and practices, but ...
 - cultural exports are disproportionately from western countries, particularly the US (“Americanization”, “Westernization”).
- Homogenization, uniformization of the world.
- Tastes and preferences of consumers converging (“McDonaldization”, “Coca-colonization”).

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Cultural Globalization (cont.)

- English has become *de facto* global language for business although there exist 6,000 languages (95 per cent of world population speak around 100 languages).
- One person in five speaks English.

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Challenges to Globalization: The Transition to a New Balance and Global Responsibility

- *Neoliberal globalization*: A target of criticism and (anti-globalization) resistance.
- “Fair and inclusive” globalization and issues of global governance.
- Towards a new globalization paradigm.

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Economic Globalization

- **Economic globalization** refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies.
- In a remarkably short period of time, economic globalization has changed the world economic order, bringing new opportunities and challenges.

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Growing Interdependence and Integration of Economies

- *Made possible by:*
 - The advancement of science and technologies, including transport technology;
 - Communication networks (“shrinking world”);
 - Internet access;
 - Growth of economic cooperation– trading blocs (EU, NAFTA, CEFTA, etc.);

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Growing Interdependence and Integration of Economies (cont.)

- Fall of the “ Iron Curtain” and the end of the bipolar world;
- Reduction of trade barriers and movement to free trade (*neoliberal consensus*).
- A necessary consequence is the increased impact of changes in one part of the world on what happens in others.

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Globalizing Trade Rules: The Multilateral Trading System (from GATT to the WTO)

- Post - World War II trade initiatives: From GATT to the WTO.
- The World Trade Organization (WTO) at a turning point.
- Multilateralism at risk.
- The Doha Development Round: What is at stake?
- Is a true development round possible?
- Reforming the world trading system: Fair trade for all?

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WTO Doha Round

- The **Doha Round** (launched in Doha, Qatar, in November 2001) is the first multilateral trade negotiation that truly reflects the changes in the *global economic order*.
- The contributions of **emerging** and **developing countries** will be as central and necessary to its success as those of the **US** and the **EU**.
- For that reason, it is a test for the global community: can we reach an agreement for the common good, even when the issues are complex and sensitive?
- Reviving Doha and looking beyond Doha.

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Globalization and TNCs

- TNCs are seen as the key agents of economic globalization.
- More than 60,000 transnational corporations (TNCs) with over 800,000 affiliates abroad.
- *Excessive power and domination of TNCs:*
 - Fifty-one of the world's top 100 economies (economic entities) are corporations (in 2000);
 - TNCs control 2/3 of all world trade and 80 per cent of foreign investment, but nobody controls them, except their shareholders.
 - The 200 largest TNCs employ 1 per cent of the total world labour force and have a turnover equal to 28.3 per cent of the world GNP.

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Economic Globalization Makes the Rich Richer and the Poor Poorer?

- Economic globalization is also associated with increasing disparities in wealth and power both between nations and different groups within nations and between public and private sectors.
- Re-thinking the course of the current economic globalization.

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Globalization... or Polarization?

- In other words, the global economy remains an uneven playing field.
- In the long term, the success and sustainability of the globalization project (process) will depend therefore on the degree to which inequalities can be reduced.

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Globalization is here to stay?

- Globalization does have problems and negative effects, but it is not going to disappear (at least for the foreseeable future).
- So, we need to learn how to reap its benefits, and minimize its costs. To do that, we must:
 - understand its causes, impacts and consequences;
 - work to remedy the problems;
 - work to spread benefits as widely as possible.

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- **Suggested readings**

- Joseph E. Stiglitz, *Globalization and Its Discontents*, Penguin Books, 2002.
- Joseph E. Stiglitz, *Making Globalization Work*, Penguin Books, 2006.

- **Statistical indicators**

- OECD Globalization Indicators
- World Bank Globalization Indicators
- UNCTAD Development and Globalization: Facts and Figures
- GlobStat, the Internet site of Development and Globalization: Facts and Figures

- *Note:* Many books have been written on globalization but no individual one presents an integrated theory of it. Information on globalization is enormous: as a hint on the massive information available on this issue, for the hit “globalization” Google reports 34.900.000 references!

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Useful Websites and Links

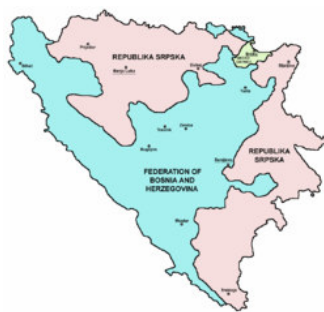
- EUROPA – The official website of the European Union (EU)
www.europa.eu
- Organization for Economic Co-operation and Development (OECD)
www.oecd.org
- United Nations Conference on Trade and Development (UNCTAD)
www.unctad.org
- The United Nations Centre on Transnational Corporations
www.unctc.unctad.org
- UN Millennium Development Goals
www.un.org/millenniumgoals
- World Bank
www.worldbank.org
- World Trade Organization (WTO)
www.wto.org
- Food and Agriculture Organization of the United Nations (FAO)
www.fao.org

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Useful Websites and Links (cont.)

- The Globalization Website (Emory University)
www.sociology.emory.edu/globalization
- The Earth Institute at Columbia University
www.earthinstitute.columbia.edu
- London School of Economics, The Centre for the Study of Global Governance
www.lse.ac.uk

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- **And Bosnia and Herzegovina in all this?**



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And Bosnia and Herzegovina in all this?

- The effects of globalization on the **Western Balkan** countries: the **EU** in perspective.
- The Stabilization and Association Process (SAP) → Stabilisation and Association Agreements (SAAs)
- **Dayton-based** Bosnia and Herzegovina: “a handicapped hybrid state“... “a semi-protectorate“ (OHR, EUSR, EUFOR/Althea, EUPM, etc.)... from *tutorship* to *partnership*...from “strait-jacket“ to Dayton II (?)
- The SAA signed in 2008, but it has still not entered into force.
- Prospects of EU accession are poor... candidate status in 2014 (?)... accession to the EU in 2020 (?)

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And Bosnia and Herzegovina in all this? (cont.)

- BiH **is not** a member of the **WTO** (application for full membership submitted in 1999). Currently accession negotiations are proceeding on the basis of a draft Working Party Report circulated in June 2011.
- **CEFTA 2006**: the BiH authorities failed to prepare for Croatia accession to the EU in an adequate and timely manner.
- The country is trapped in an unfavourable political constellation and therefore unable to make full use of its economic potential.
- **Low productivity** and **uncompetitiveness** - mainly caused by incomplete reforms – remain a major factor limiting the extent of trade and economic integration with the rest of the world.

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And Bosnia and Herzegovina in all this? (cont.)

- Bosnia and Herzegovina at the threshold of promising future... still far from a shared vision (?!)

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THANK YOU FOR YOUR ATTENTION!

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